

Before the  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2013

Docket No. ACR2013

PUBLIC REPRESENTATIVE NOTICE OF ERRATA  
TO PUBLIC REPRESENTATIVE REPLY COMMENTS

(February 24, 2014)

This Notice of Errata to the February 14, 2014 Public Representative Reply Comments corrects the erroneous statement that the Postal Service did not correctly follow the Commission's method of calculating passthroughs for First-Class Automation 5-digit Letters/Cards. Accordingly, the text on page 8 is revised to discuss only the incorrect passthrough calculation for AADC Letters and Cards. Also, Table 1 on page 9 is revised to correct the calculation of the 5-Digit presort Letter and Card discounts. The text on page 9 is revised to state that the Postal Service should follow the Commission-approved methodology for estimating cost avoidances within AADC Letters and Cards in future proceedings.

These corrections to the Public Representative Reply Comments are inserted in pages 8 and 9, Revised 2/24/2014, appended to this Notice.

Respectfully submitted,

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subsidized under the current classification, ACMA may petition the Commission to open a rulemaking to modify the mail classification schedule in this area.<sup>1</sup>

## II OTHER CROSS-SUBSIDY COMMENTS

### A. First Class---Pitney Bowes' Comments

#### 1. Inequitable cost contributions between Presort and Single-Piece Letters/Cards

Pitney Bowes notes that First-Class Mail Presort Letters/Cards make a unit contribution of 19.1 cents towards the recovery of institutional costs, while Single-Piece First-Class Mail Letters/Cards make a unit contribution of 24.6 cents towards the recovery of institutional costs. Pitney Bowes at 1. It concludes that these inequitable unit contributions (which translate into inequitable cost coverages) "discourages the growth and retention of the most profitable First-Class Mail products," which financially harms the Postal Service. *Id.* 2.

The Public Representative agrees that the contributions mentioned are inefficient. The Postal Service should take steps to diminish inefficient contributions, here, and wherever they appear.

#### 2. Incorrect cost avoidance within AADC Letters and Cards.

Pitney Bowes correctly notes that the Postal Service did not use the Commission-approved methodology for estimating cost avoidances within AADC Letters and Cards. Pitney Bowes at 3. Table 1, below, shows the avoided costs, avoided cost formulas and passthroughs for the relevant AADC and Automation 5-Digit Letters and Cards.

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<sup>1</sup> ACMA also claims the Public Representative does not understand its index previously presented to the Commission in other dockets and that the Public Representative's comments in response to ACMA in ACR2012 were erroneous. *Id.* at 11. The Public Representative rejects this characterization. The Commission has never ruled on the merits of ACMA's index. Since the record compiled in previous proceedings regarding the validity and usefulness of ACMA's index has not been supplemented in this proceeding, its relevance remains in doubt.

**Revised Table 1**  
**PRC v USPS AADC Passthroughs**

Workshared AADC First Class Letters			
USPS Method	Avoided Cost	Passthrough	Avoided Cost Formula
Weighted Average AADC&3-Digit Letters	0.0220	95.5%	= (13.570 -11.558)/100
Automation 5-digit Letters	0.0290	82.8%	= (11.1319 - 8.500)/100
PRC Method			
AADC Letters	0.0200	105.0%	= (13.570 -11.558)/100
Automation 5-digit Letters	0.0290	82.8%	= (11.1319 - 8.500)/100
Workshared AADC First Class Cards			
USPS Method			
Weighted Average AADC&3-Digit Cards	0.013	92.3%	= (8.653 -7.391)/100
Automation 5-digit Cards	0.015	80.0%	= (7.391 - 5.909)/100
PRC Method			
AADC Cards	0.011	209.1%	= (8.6523 -7.555)/100
Automation 5-digit Cards	0.015	80.0%	= (7.391 - 5.909)/100

Sources: USPS-FY12-3, "FCM Bulk Letters, Cards," and Dkt. No. R-2013-6, Order 1926 at 160. USPS-FY12-3, FY12.3.Worksharing Discount Table\_Final.xls; and USPS-FY13-10, FCM.Ltrs.ACR.xls

Application of the appropriate Commission-approved cost avoidance methodology changes two of four passthroughs from less than 100 percent to over 100 percent. The passthrough for AADC Cards increases more than two-fold from 92.3 to 209.1 percent. The Public Representative agrees with Pitney Bowes that the Commission should correct the Postal Service's calculations using the approved methodology and require the Postal Service to use the Commission-approved methodology for estimating cost avoidances within AADC Letters and Cards in future proceedings.

#### A. Competitive Products

##### 1. Attributable costs as a percentage of total costs are falling.

United Parcel Service (UPS) questions whether the Postal Service's Competitive Products account for a fair and equitable share of total postal costs. UPS at 1. UPS makes two basic arguments. First, it contends that total attributable costs have fallen by nearly 11 percentage points since R97-1. *Id.* 2. Second, UPS says the 5.5 percent